

not go by without making these modest changes. In order for our voluntary tax system to continue to function, taxpayers must have access to tax professionals with the highest ethical standards and greatest substantive knowledge possible. This bill will go a long way toward maintaining the integrity of the tax administration system.

I ask unanimous consent that the text of the bill and an analysis of the bill be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 832

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) **SHORT TITLE.**—This Act may be cited as the “Taxpayer Protection and Assistance Act of 2005”.

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. LOW-INCOME TAXPAYER CLINICS.

(a) **GRANTS FOR RETURN PREPARATION CLINICS.**—

(1) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions) is amended by inserting after section 7526 the following new section:

“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-INCOME TAXPAYERS.

“(a) **IN GENERAL.**—The Secretary may, subject to the availability of appropriated funds, make grants to provide matching funds for the development, expansion, or continuation of qualified return preparation clinics.

“(b) **DEFINITIONS.**—For purposes of this section—

“(1) **QUALIFIED RETURN PREPARATION CLINIC.**—

“(A) **IN GENERAL.**—The term ‘qualified return preparation clinic’ means a clinic which—

“(i) does not charge more than a nominal fee for its services (except for reimbursement of actual costs incurred), and

“(ii) operates programs which assist low-income taxpayers, including individuals for whom English is a second language, in preparing and filing their Federal income tax returns, including schedules reporting sole proprietorship or farm income.

“(B) **ASSISTANCE TO LOW-INCOME TAXPAYERS.**—A clinic is treated as assisting low-income taxpayers under subparagraph (A)(ii) if at least 90 percent of the taxpayers assisted by the clinic have incomes which do not exceed 250 percent of the poverty level, as determined in accordance with criteria established by the Director of the Office of Management and Budget.

“(2) **CLINIC.**—The term ‘clinic’ includes—

“(A) a clinical program at an eligible educational institution (as defined in section 529(e)(5)) which satisfies the requirements of paragraph (1) through student assistance of taxpayers in return preparation and filing, and

“(B) an organization described in section 501(c) and exempt from tax under section 501(a) which satisfies the requirements of paragraph (1).

“(c) **SPECIAL RULES AND LIMITATIONS.**—

“(1) **AGGREGATE LIMITATION.**—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than \$10,000,000 per year (exclusive of costs of administering the program) to grants under this section.

“(2) **OTHER APPLICABLE RULES.**—Rules similar to the rules under paragraphs (2) through (7) of section 7526(c) shall apply with respect to the awarding of grants to qualified return preparation clinics.”

(2) **CLERICAL AMENDMENT.**—The table of sections for chapter 77 is amended by inserting after the item relating to section 7526 the following new item:

“Sec. 7526A Return preparation clinics for low-income taxpayers.”

(b) **GRANTS FOR TAXPAYER REPRESENTATION AND ASSISTANCE CLINICS.**—

(1) **INCREASE IN AUTHORIZED GRANTS.**—Section 7526(c)(1) (relating to aggregate limitation) is amended by striking “\$6,000,000” and inserting “\$10,000,000”.

(2) **USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.**—

(A) **IN GENERAL.**—Section 7526(c) (relating to special rules and limitations) is amended by adding at the end the following new paragraph:

“(6) **USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.**—No grant made under this section may be used for the overhead expenses of any clinic or of any institution sponsoring such clinic.”

(B) **CONFORMING AMENDMENTS.**—Section 7526(c)(5) is amended—

(i) by inserting “qualified” before “low-income”, and

(ii) by striking the last sentence.

(3) **PROMOTION OF CLINICS.**—Section 7526(c), as amended by paragraph (2), is amended by adding at the end the following new paragraph:

“(7) **PROMOTION OF CLINICS.**—The Secretary is authorized to promote the benefits of and encourage the use of low-income taxpayer clinics through the use of mass communications, referrals, and other means.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to grants made after the date of the enactment of this Act.

SEC. 3. CLARIFICATION OF ENROLLED AGENT CREDENTIALS.

(a) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

“SEC. 7529. ENROLLED AGENTS.

“(a) **IN GENERAL.**—The Secretary may prescribe such regulations as may be necessary to regulate the conduct of enrolled agents in regards to their practice before the Internal Revenue Service.

“(b) **USE OF CREDENTIALS.**—Any enrolled agents properly licensed to practice as required under rules promulgated under subsection (a) shall be allowed to use the credentials or designation as ‘enrolled agent’, ‘EA’, or ‘E.A.’.”

(b) **CLERICAL AMENDMENT.**—The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7529 Enrolled agents.”

(c) **PRIOR REGULATIONS.**—The authorization to prescribe regulations under the amendments made by this section may not be construed to have any effect on part 10 of title 31, Code of Federal Regulations, or any other related Federal rule or regulation issued before the date of the enactment of this Act.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 4. REGULATION OF INCOME TAX RETURN PREPARERS.

(a) **AUTHORIZATION.**—Section 330(a)(1) of title 31, United States Code, is amended by

inserting “(including compensated preparers of tax returns, documents, and other submissions)” after “representatives”.

(b) **REQUIREMENT.**—

(1) **IN GENERAL.**—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall prescribe regulations under section 330 of title 31, United States Code—

(A) to regulate those compensated preparers not otherwise regulated under regulations promulgated under such section on the date of the enactment of this Act, and

(B) to carry out the provisions of, and amendments made by, this section.

(2) **EXAMINATION.**—In promulgating the regulations under paragraph (1), the Secretary shall develop (or approve) and administer an eligibility examination designed to test—

(A) the technical knowledge and competency of each preparer described in paragraph (1)(A)—

(i) to prepare Federal tax returns, including individual and business income tax returns, and

(ii) to properly claim the earned income tax credit under section 32 of the Internal Revenue Code of 1986 with respect to such individual returns, and

(B) the knowledge of each such preparer regarding such ethical standards for the preparation of such returns as determined appropriate by the Secretary.

(3) **CONTINUING ELIGIBILITY.**—

(A) **IN GENERAL.**—The regulations under paragraph (1) shall require a renewal of eligibility every 3 years and shall set forth the manner in which a preparer described in paragraph (1)(A) must renew such eligibility.

(B) **CONTINUING EDUCATION REQUIREMENTS.**—As part of the renewal of eligibility, such regulations shall require that each such preparer show evidence of completion of such continuing education requirements as specified by the Secretary.

(C) **NONMONETARY SANCTIONS.**—The regulations under paragraph (1) shall provide for the suspension or termination of such eligibility in the event of any failure to comply with the requirements for such eligibility.

(c) **OFFICE OF PROFESSIONAL RESPONSIBILITY.**—Section 330 of title 31, United States Code, is amended by adding at the end the following new subsection:

“(e) **OFFICE OF PROFESSIONAL RESPONSIBILITY.**—

“(1) **IN GENERAL.**—There shall be in the Internal Revenue Service an Office of Professional Responsibility the functions of which shall be as prescribed by the Secretary of the Treasury, including the carrying out of the purposes of this section.

“(2) **DIRECTOR.**—

“(A) **IN GENERAL.**—The Office of Professional Responsibility shall be under the supervision and direction of an official known as the ‘Director, Office of Professional Responsibility’. The Director, Office of Professional Responsibility, shall report directly to the Commissioner of Internal Revenue and shall be entitled to compensation at the same rate as the highest rate of basic pay established for the Senior Executive Service under section 5382 of title 5, or, if the Secretary of the Treasury so determines, at a rate fixed under section 9503 of such title.

“(B) **APPOINTMENT.**—The Director, Office of Professional Responsibility, shall be appointed by the Secretary of the Treasury without regard to the provisions of title 5 relating to appointments in the competitive service or the Senior Executive Service.

“(3) **HEARING.**—Any hearing on an action initiated by the Director, Office of Professional Responsibility to impose a sanction under regulations promulgated under this section shall be conducted in accordance with sections 556 and 557 of title 5 by 1 or